

COMFORT COOLING SYSTEMS LIMITED

Report and Financial Statements

31 March 2000



**Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP**

REPORT AND FINANCIAL STATEMENTS 2000

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Telling
C S Acheson
G Allen
M S Allen
F E Holland
C J Williams

SECRETARIES

A F Waters
M O Thomas (resigned 4 May 2000)
C K Ross (appointed 4 May 2000)

REGISTERED OFFICE

The Stable Block
Barley Wood
Wrington
Bristol
BS40 5SA

BANKERS

HSBC Bank plc
49 Corn Street
Bristol
BS99 7PP

AUDITORS

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 March 2000.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity is the installation and maintenance of air conditioning systems in commercial, industrial and domestic premises.

The company's business developed satisfactorily and the directors consider that the company is in a good position to continue that development.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £49,320 (1999: loss of £7,306). The directors recommend that this amount be dealt with as follows:

	£
Ordinary dividends:	
- Final proposed 12p per share	7,200
Transfer to reserves	42,120
	<hr/> 49,320 <hr/>

FIXED ASSETS

Details of movements in fixed assets during the year are set out in Note 6 to the financial statements.

DIRECTORS' REPORT (continued)**DIRECTORS AND THEIR INTERESTS**

The directors during the year were as follows:

D M Telling
C S Acheson
G Allen
M S Allen
F E Holland
C J Williams

The beneficial interests of the directors and their families in the share capital and loan stock of the company were as follows:

	At 31 March 2000		At 1 April 1999	
	£1 'B' Ordinary shares No.	Redeemable unsecured loan stock £	£1 'B' Ordinary shares No.	Redeemable unsecured loan stock £
M S Allen	6,000	10,000	6,000	10,000
F E Holland	6,000	10,000	6,000	10,000

No other director had an interest in the share capital of the company.

Mr D M Telling is a director of MITIE Group PLC, the parent undertaking, and his interests in the share capital of that company are shown in the financial statements of MITIE Group PLC.

Other directors' interests in the share capital of MITIE Group PLC are as follows:

	At 31 March 2000 5p Ordinary shares No.	At 1 April 1999 5p Ordinary shares No.
C S Acheson	814,750	902,350
G Allen	180,914	-
C J Williams	53,029	43,100

No other director had an interest in the share capital of MITIE Group PLC.

PAYMENT POLICY

The company's policy is to comply with the terms of payment agreed with a supplier. Where terms are not negotiated, the company endeavours to adhere with the supplier's standard terms. As at 31 March 2000 trade creditors, as a proportion of amounts invoiced from suppliers for the year, represented 79 (1999: 55) days.

In the industry in which the company operates credit periods are frequently extended by agreement. The company's creditor days are a reflection of this custom.

DIRECTORS' REPORT (continued)

YEAR 2000

The year 2000 project completed all critical milestones well within the project timescale and all the primary business systems have completed both the millennium rollover and leap year rollover without any issues. Although these critical dates have been successfully passed, the Executive Steering Committee is not being complacent in considering the possible impact from latent problems outside the control of MITIE.

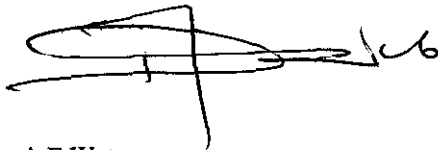
We have made considerable effort in determining the compliance of critical players in our suppliers/customer chain and are confident of continued trouble free operation.

The year 2000 project team will remain operational, with suitable contingency plans, until it is considered that sufficient time has passed for all possible external issues to be identified and resolved.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'A F Waters', with a stylized flourish extending to the right.

A F Waters
Secretary

11 August 2000

**AUDITORS' REPORT TO THE MEMBERS OF
COMFORT COOLING SYSTEMS LIMITED**

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

14 August 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2000

		Continuing operations	
		1 April 1999	10 September
	Notes	to 31 March	1998 to
		2000	31 March
		£	1999
			£
TURNOVER	1	1,065,727	25,387
Cost of sales		(814,013)	(17,021)
GROSS PROFIT		251,714	8,366
Administrative expenses		(180,389)	(18,526)
OPERATING PROFIT/(LOSS)	2	71,325	(10,160)
Interest receivable	3	3,550	54
Interest payable	3	(3,000)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		71,875	(10,106)
Tax on profit/(loss) on ordinary activities	4	(22,555)	2,800
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		49,320	(7,306)
Dividends	5	(7,200)	-
RETAINED PROFIT/(LOSS) FOR THE YEAR	12	42,120	(7,306)

There are no recognised gains and losses for the current financial year or preceding financial period other than as stated in the profit and loss account.

BALANCE SHEET
At 31 March 2000

	Notes	2000		1999	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		26,539		3,877
CURRENT ASSETS					
Work in progress	7	61,697		36,398	
Debtors	8	298,429		31,955	
Cash at bank and in hand		49,574		79,190	
		409,700		147,543	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(321,425)		(78,726)	
NET CURRENT ASSETS			88,275		68,817
TOTAL ASSETS LESS CURRENT LIABILITIES			114,814		72,694
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10		(20,000)		(20,000)
NET ASSETS			94,814		52,694
CAPITAL AND RESERVES					
Called up share capital	11		60,000		60,000
Profit and loss account	12		34,814		(7,306)
TOTAL EQUITY SHAREHOLDERS' FUNDS	13		94,814		52,694

These financial statements were approved by the Board of Directors on 11 August 2000

Signed on behalf of the Board of Directors



D M Telling
Director

CASH FLOW STATEMENT
Year ended 31 March 2000

	Notes	1 April 1999 to 31 March 2000 £ £	10 September 1998 to 31 March 1999 £ £
Net cash (outflow)/inflow from operating activities	14	(7,377)	1,712
Returns on investments and servicing of finance			
Interest received		3,262	12
Taxation			
UK corporation tax received		2,845	-
Capital expenditure			
Payments to acquire tangible fixed assets		(28,346)	(2,534)
Net cash outflow before financing		(29,616)	(810)
Financing			
Issue of ordinary share capital		-	60,000
Debt due beyond one year - new unsecured loan stock repayable in 2009		-	20,000
Net cash inflow from financing		-	80,000
(Decrease)/increase in cash in the year	16	(29,616)	79,190

NOTES TO THE ACCOUNTS
Year ended 31 March 2000**1. ACCOUNTING POLICIES****Accounting convention**

The financial statements are prepared under the historical cost convention and are prepared in accordance with applicable accounting standards.

Turnover

Turnover represents the total, excluding sales taxes, receivable in respect of goods and services supplied and contract work completed in the year. All turnover arises within the United Kingdom.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Motor vehicles	4 years
Plant and office equipment	5 years

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets at the estimated net present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract.

Rentals paid under other leases (operating leases) are charged against income on a straight-line basis over the lease term.

Work in progress

Work in progress is stated at the lower of cost (including appropriate overheads) and net realisable value. Provision is made for foreseeable losses.

Deferred taxation

Provision is made for deferred taxation using the liability method in respect of timing differences to the extent that liabilities will crystallise in the foreseeable future.

Pension costs

Pension costs represent amounts paid to one of the group's pension schemes. Details of the schemes are given in the financial statements of MITIE Group PLC.

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

2. OPERATING PROFIT/(LOSS) is stated after charging:

	1 April 1999 to 31 March 2000 £	10 September 1998 to 31 March 1999 £
Depreciation	5,684	127
Auditors' remuneration - audit services	750	750
	<u> </u>	<u> </u>

3. INTEREST RECEIVABLE

	1 April 1999 to 31 March 2000 £	10 September 1998 to 31 March 1999 £
Bank interest	3,550	54
	<u> </u>	<u> </u>

4. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1 April 1999 to 31 March 2000 £	10 September 1998 to 31 March 1999 £
UK current year taxation		
UK corporation tax	22,600	-
Group relief at 30% (1999: 31%)	-	(2,800)
Prior years		
UK corporation tax	(45)	-
	<u> </u>	<u> </u>
	22,555	(2,800)
	<u> </u>	<u> </u>

5. DIVIDENDS

	1 April 1999 to 31 March 2000 £	10 September 1998 to 31 March 1999 £
Ordinary:		
Final proposed of 12p (1999: nil) per share	7,200	-
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

6. TANGIBLE FIXED ASSETS

Summary

	Vehicles £	Office equipment £	Total £
Cost			
At 1 April 1999	-	4,004	4,004
Additions	23,425	4,921	28,346
At 31 March 2000	23,425	8,925	32,350
Depreciation			
At 1 April 1999	-	127	127
Charge for the year	4,410	1,274	5,684
At 31 March 2000	4,410	1,401	5,811
Net book value			
At 31 March 2000	19,015	7,524	26,539
At 31 March 1999	-	3,877	3,877

Capital commitments

At 31 March 2000 the directors had authorised capital expenditure of nil (1999: nil).

7. WORK IN PROGRESS

	2000 £	1999 £
Work in progress	133,809	36,398
Cash received on account	(72,112)	-
	61,697	36,398

8. DEBTORS

	2000 £	1999 £
Trade debtors	297,123	19,387
Amounts owed by parent undertaking and fellow subsidiary undertakings	976	8,887
Corporation tax recoverable	-	2,800
Other debtors	330	799
Prepayments and accrued income	-	82
	298,429	31,955

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2000	1999
	£	£
Trade creditors	241,173	65,939
Amounts owed to parent undertaking and fellow subsidiary undertakings	5,875	1,750
Corporation tax	22,600	-
Other taxes and social security costs	31,733	5,029
Other creditors	490	1,470
Accruals and deferred income	6,459	2,038
Payments on account	5,895	2,500
Proposed dividends	7,200	-
	<u>321,425</u>	<u>78,726</u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2000	1999
	£	£
Convertible redeemable unsecured loan stock 2009	<u>20,000</u>	<u>20,000</u>

The convertible redeemable unsecured loan stock may be converted at the holder's option into fully paid ordinary shares of £1 each at any time to 31 August 2009. If the loan stock is not converted it will be redeemable at par on 1 September 2009.

The holders have confirmed that the loan stock will not be converted until after 31 March 2001.

11. CALLED UP SHARE CAPITAL	1999 and 2000	
	No.	£
Authorised		
£1 'A' ordinary shares	51,000	51,000
£1 'B' ordinary shares	49,000	49,000
	<u>100,000</u>	<u>100,000</u>
	2000	1999
	£	£
Allotted and fully paid		
48,000 £1 'A' ordinary shares	48,000	48,000
12,000 £1 'B' ordinary shares	12,000	12,000
	<u>60,000</u>	<u>60,000</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

11. CALLED UP SHARE CAPITAL (continued)

Rights attached to shares

The holders of the £1 'A' ordinary shares and the £1 'B' ordinary shares are entitled to a dividend as decided by the Board. Thereafter, MITIE Group PLC, the holder of the £1 'A' ordinary shares, is entitled to one half of the company's annual profits available for distribution less the above amount already paid, together with any arrears of such cumulative dividends unpaid from any previous financial year.

Thereafter, the balance of profits available for distribution may be distributed amongst the holders of each class of share pari passu.

Both classes of shareholder have equal voting rights.

12. PROFIT AND LOSS ACCOUNT

	£
At 1 April 1999	(7,306)
Retained profit for the year	42,120
	<hr/>
At 31 March 2000	34,814
	<hr/>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1 April 1999 to 31 March 2000 £	10 September 1998 to 31 March 1999 £
Profit/(loss) for the financial year	42,120	(7,306)
Issue of ordinary shares	-	60,000
	<hr/>	<hr/>
Net addition to shareholders' funds	42,120	52,694
Opening shareholders' funds	52,694	-
	<hr/>	<hr/>
Closing shareholders' funds	94,814	52,694
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 March 200014. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH
(OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	1 April 1999 to 31 March 2000 £	10 September 1998 to 31 March 1999 £
Operating profit/(loss)	71,325	(10,160)
Depreciation charges	5,684	127
Increase in work in progress	(25,299)	(36,398)
Increase in debtors	(268,986)	(29,113)
Increase in creditors	209,899	77,256
Net cash (outflow)/inflow from operating activities	(7,377)	1,712

15. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 1999 £	Cash flows £	At 31 March 2000 £
Cash at bank and in hand	79,190	(29,616)	49,574
Debt due after one year	(20,000)	-	(20,000)
	59,190	(29,616)	29,574

16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT
IN NET FUNDS

	1 April 1999 to 31 March 2000 £	10 September 1998 to 31 March 1999 £
(Decrease)/increase in cash in the year	(29,616)	79,190
Cash inflow from increase in debt	-	(20,000)
Movement in net (debts)/funds in the year	(29,616)	59,190
Net funds at 1 April	59,190	-
Net funds at 31 March	29,574	59,190

NOTES TO THE ACCOUNTS
Year ended 31 March 2000

17. FINANCIAL COMMITMENTS

Operating leases

At 31 March 2000 the company had no annual commitments under non-cancellable operating leases.

Commitments on behalf of group undertakings

The company is party with other group undertakings to cross-guarantees of each other's bank overdrafts. As at 31 March 2000, the overall commitment was nil.

18. DIRECTORS

	1 April 1999 to 31 March 2000	10 September 1998 to 31 March 1999
The emoluments of directors of the company were:	£	£
Fees and other emoluments (excluding pension contributions but including benefits-in-kind)	<u>77,604</u>	<u>-</u>
	No.	No.
The number of directors who were members of a defined benefit pension scheme	<u>3</u>	<u>3</u>

Mr D M Telling is a director of MITIE Group PLC and his emoluments and pension details are disclosed in the group accounts. It is not practicable to allocate his remuneration between his services as a director of Comfort Cooling Systems Limited and his services as a director of other group companies.

19. EMPLOYEES

Number of employees

The average number of persons (including directors) employed by the company during the year was:

	1 April 1999 to 31 March 2000	10 September 1998 to 31 March 1999
	No.	No.
Administration and management	<u>4</u>	<u>2</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2000**19. EMPLOYEES (continued)**

	1 April 1999 to 31 March 2000	10 September 1998 to 31 March 1999
	£	£
Employment costs		
Wages and salaries	111,987	11,400
Social security costs	12,570	1,140
Other pension costs	1,352	-
	<u>125,909</u>	<u>12,540</u>

20. RELATED PARTY TRANSACTIONS

MITIE Group PLC is a 80% shareholder of Comfort Cooling Systems Limited.

Comfort Cooling Systems Limited paid management charges of £15,388 to companies within the MITIE Group PLC. An amount of £5,000 is included in creditors in respect of these charges.

During the year, Comfort Cooling Systems Limited provided the installation of air conditioning systems at an amount of £307,053 to companies within the MITIE Group PLC on normal commercial terms. An amount of £976 is included in debtors in respect of these services.

21. PARENT UNDERTAKING AND CONTROLLING PARTY

The directors regard MITIE Group PLC, a company registered in Scotland, as the company's ultimate parent undertaking and controlling party. Copies of the group financial statements can be obtained from the Company Secretary at the registered office.